

Dieker to hear at executive session of Reg Bd 2/20/79

File Gen. Con.

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February 2, 1979

Jim Tjosvold  
State Water Resources Control Board  
Division of Water Quality  
P.O. Box 100  
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DIVISION OF WATER QUALITY

Dear Jim:

As a follow-up to my conversations with yourself and Neil Dunham, and as you requested, I am writing this letter to clarify SAM's request for a minor modification of the grant conditions and related timetable.

EXISTING PROPOSED CONDITIONS AND TIMETABLE

As presently proposed, the new, regional outfall, located at Half Moon Bay, would begin construction this summer and be completed by this winter. The complete Plan F intertie line, from Montara to Half Moon Bay, would commence on June 1, 1979, and be completed June 1, 1980. In the interim, a cost-effective analysis would be done on the Plan A versus Plan F treatment alternatives (retention and maximum utilization of existing facilities vs. abandonment of existing facilities and consolidation into a totally new regional plant.) At the same time, the Local Coastal Plans for Half Moon Bay and the unincorporated county areas (portions of the Granada Sanitary District and all of the Montara Sanitary District) would progress, and, upon their completion, capacity decisions would be made.

not complete

PROPOSED MODIFICATIONS OF CONDITIONS  
AND TIMETABLE

Simply stated, we propose that construction commence in June, 1978 on only those portions of the entire system that are certainly necessary for either Plan A or Plan F. These facilities include only the new outfall, and the line running from Montara to Granada (approximately 16,000 feet in length, or about 35-40% of the entire length of the intertie.)

Planning should be phased and modified so as to accomplish the following. The cost-effective analysis should be undertaken with respect to the benefits of complete Plan A facilities--treatment works and intertie lines--as well as the complete Plan F



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facilities. No cost-effective analysis would be performed on a "hybrid" Plan A treatment/Plan F intertie system, as presently is contemplated. At the conclusion of the cost-effective analysis, the development of the local coastal plans would be monitored to the extent necessary to determine ultimate capacity requirements in the affected areas. (This approach is particularly relevant to the sizing of underground pipeline facilities, as even the Coastal Commission has acknowledged that the coastal environment should be disturbed by such a major pipeline project only one time in the foreseeable future; furthermore, simple economics favors the laying of adequately sized pipe now, rather than re-laying more or larger pipe in the future.)

4- (1)

(2) - next phase

With respect to the treatment capacity issue, we should likewise resolve this matter as soon as possible. Waiting for the formal approval of the local coastal plans, by the State Coastal Commission, could add months of unnecessary delay. Accordingly, when the local coastal plans become adequately developed to address capacity issues, SAM should seek a permit from the regional Coastal Commission to construct the treatment facilities deemed necessary and adequate. I believe, for example, that the local coastal plan for the unincorporated areas of SAM's region--which include everything but the City of Half Moon Bay--is already at a stage where the capacity issue could be significantly resolved with respect to the Granada and Montara districts.

(3) I must comment

(4)

We should note that capacity questions are moot, in the event of an ultimate selection of Plan A, with respect to all agencies in SAM except Granada. Under Plan A, Half Moon Bay would keep, and would be satisfied with, its present 1.0 mgd treatment facilities; and likewise, Montara would keep, and be satisfied with, its existing .5 mgd capacity. Frankly--as I expressed in one of our recent meetings in Oakland, and as Ed Brown of the Regional Commission agreed--the Commission would be hard pressed to justify demanding that Half Moon Bay and Montara destroy and downsize existing facilities for the privilege of relocating their ultimate discharge point!

Comment

(5)

In the event the cost-effective analysis favored Plan A, work would commence on whatever amendments to the Environmental Impact Report which would be required (perhaps even a Negative Declaration would suffice for most of the project, as the original EIR declared Plan A to be the "best apparent alternative.") The only further work, that I would anticipate as necessary, would revolve around the location and sizing of Granada's treatment works.



In the event Plan A were selected as the most cost-effective, appropriate amendments to the intertie permit, now being sought from the Regional Commission, would be obtained (or, perhaps, when the permit is first granted, it could be conditioned so as to allow construction of only those facilities common to Plan A as well as Plan F). If Plan A were selected, the balance of the redesigned intertie--from Granada to Half Moon Bay--could be completed, even before the only remaining treatment capacity issue--that involving Granada--were fully resolved.

#### RATIONALE FOR THE PROPOSED MODIFICATIONS

Essentially, it seems unreasonable to commit SAM to a complete Plan F intertie system before we learn whether or not such a system is ultimately cost-effective or even necessary-- particularly when we know that the construction of such a system will unfairly prejudice the cost-effectiveness analysis against Plan A. ?

The existing designed Plan F intertie system is at least \$100,000.00 more expensive, in terms of immediate cost, than Plan A intertie. (The current figure could approach \$200,000.00-\$300,000.00 more.) The existing system was designed to be a gravity main throughout the entire portion of Half Moon Bay that lies within the Granada Sanitary District. This feature was added to the original design at the request of Half Moon Bay, primarily to service one large nursery located there, and future subdivisions as well. (These users could simply connect to the regional plant by directly tying in to the line fronting their properties, rather than by connecting to the nearest existing portions of the Half Moon Bay or Granada collection systems.) This redesigned tie line--which now dropped to a depth of thirty feet in some places--may not even be necessary if the Coastal Commission disapproves of further development in this as yet unsubdivided area of the City; in fact, it is highly unlikely, in my opinion, that such development will be allowed in Half Moon Bay's Local Coastal Plan. No documents !!

In addition, the aforementioned extension of the gravity collection and transport main line does not significantly reduce long-term Operations--Maintenance expenses, in my opinion, when one considers the cost of maintaining the significantly deeper lines--which must be deepened along portions of the line even beyond the area hoped to be serviced. We must keep in mind that the original design provided for gravity mains in any event, in this area; the modified, current design just moved the pick-up point (where the force main emptied into the gravity line) about 1000 feet north. It was this modification which, because of the terrain, required the extensive deepening discussed above.



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The question of the cost-effectiveness of the alternate pipelines--Plan A vs. Plan F--may require further engineering analysis by your staff and SAM's--but this analysis should be performed before the Plan F intertie system is built and the issue is made moot. This issue affects not only the cost-effective analysis of the pipeline, but of the entire Plan A vs. Plan F system as a whole. By going forward with the entire Plan F intertie system now, we unfairly prejudice the cost-effectiveness analysis in favor of Plan F. In my judgment, this would not constitute the prudent stewardship of public funds.

As for the proposed modification to the environmental planning schedule, such a change is beneficial since it could actually expedite the ultimate project. If, for example, Plan A is found more cost effective, and is approved by the CCZC, significant construction time could be eliminated through the construction of the shallower Plan A pipeline. Furthermore, there would be no need for the extensive construction of treatment works to replace Half Moon Bay's or Montara's facilities; and these treatment works could be discharging through the new intertie and outfall even while further work at Granada is undertaken and completed. Perhaps even Granada's primary treated effluent could be mixed with Montara's and Half Moon Bay's secondary effluent and discharged through the new outfall. (6)

An additional element, of the rationale of the proposed change, arises from financial considerations. The likelihood of evolving an acceptable cost-sharing arrangement, for Plan F, is, in my judgment, somewhat remote at this time. Attached is a letter to Fred Mortensen discussing this issue. The numbers discussed therein are not unrealistic; they assume that a 1.3 mgd regional plant will cost \$3,000,000.00, when built, and that a 2.0 mgd plant would cost \$4,000,000.00. The numbers also assume that 87 1/2% of the smaller plant would be fundable, but only 68% of the larger plant would be funded. The numbers further assume certain data developed by Mr. Mortensen with respect to a "use-benefit" approach to the local costs of the intertie and outfall facilities. The numbers further assume no modification of the E-Zero funding formula which allows Half Moon Bay .5 mgd, Granada .4 mgd, and Montara .4 mgd; again, this is a realistic approach.

Of the possible total local share, as projected, of \$1,750,000, for 2.0 mgd Plan F transport, treatment, and disposal facilities, Half Moon Bay could be obligated, under the "use-benefit" approach, to pay over \$1,000,000.00, while Granada's share could be as low as \$325,000.00, and Montara's, \$425,000.00. This breaks down to a percentage formula of 57% for Half Moon Bay, 19% for Granada, and 24% for Montara. These percentages are substantially different from the originally contemplated 38%--31%--31% apportionment--in fact, Half Moon Bay's additional share of the local burden

Not that  
bad a guess

Seems  
reasonable

Danger in  
attempting to  
force Plan A  
by forcing HMB  
out of Plan F



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could be as high as \$332,500.00. I find it difficult to conceive how Half Moon Bay's councilmen could persuade their citizens to shoulder this added burden. Additionally, unlike three years ago--when Half Moon Bay's own financial and political interests merged with the now outdated "Basin Plan" and with Roger James', Ray Walsh's and Larry Walker's desires to conform to that Plan--and when the "cost effective" analysis was performed by Half Moon Bay's engineers--it is quite likely that at present, Half Moon Bay will not be motivated to financially justify a Plan F approach. More importantly, speaking as Granada's President, I cannot support the imposition upon Granada constituents of a disproportionately distributed increased local share when the main beneficiary of the concomitant capacity increase is the City of Half Moon Bay! (In the 2.0 mgd Plan F project, Half Moon Bay would receive a 100% increase over E-Zero fundable capacity, while Granada and Montara would each receive only a 25% increase.) *interesting use of figures*

The net result of the above funding analysis is that Plan F is not likely to prove financially feasible for all of the SAM member agencies. This is a question, of course, that each individual agency must answer for itself; but the above numbers almost seem, in my opinion, to predetermine the resolution of this issue. These circumstances further highlight the wisdom of refraining from an immediate physical, financial, and conceptual commitment to Plan F intertie facilities.

#### NEGATIVE ASPECTS OF THE PROPOSED MODIFICATIONS

There are only two possible negative aspects of the proposed changes.

First, in the event Plan F were ultimately found to be most cost-effective, and SAM's member agencies agreed in advance to a suitable cost-sharing formula, then it is possible that complete construction of the total intertie-transport facilities would have been slightly delayed.

Second, and related to the above, the relocation of Montara's secondary discharge could also be slightly delayed.

#### RESPONSE TO NEGATIVE ASPECTS

In my opinion, the risks of the above are minimal, if non-existent--particularly when one considers my proposed acceleration of the ultimate resolution of the capacity issue. It is quite possible that even the entire Plan A intertie could be completed within the time frame currently proposed for the Plan F intertie--namely June 1, 1980. (7)

As indicated above, even the Plan A intertie could serve to relocate not only Montara's treated effluent, but Granada's



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primary as well (this would require an engineering analysis.) Further, even if the project were "stalled" after the completion of the initial phase of the intertie, Granada could, with some modifications, divert its primary effluent to Montara for secondary treatment there (Montara is only operating at 40% of capacity now; again, an engineering analysis would be necessary to explore the benefits of this scenario.)

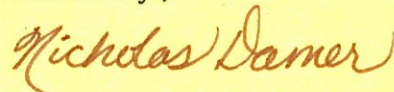
Most significantly, in my judgment, the risks associated with the proposed modifications are extremely minimal, in their total potential impact, when compared to the more highly probable ultimate negative effects of proceeding with the immediate construction of facilities that may never really be necessary nor truly cost-effective.

#### CONCLUSION

Please consider the above matters before insisting on the construction of a Plan F intertie system by June, 1980, and before requiring the capacity issues to be resolved only after the final approval of the Local Coastal Plans for the affected areas.

If, in your opinion, the public interest would be more fully served by another meeting among the concerned agencies, please advise. I and other SAM representatives would be happy to have the opportunity to further clarify our thoughts on the current proposals as well as on these suggested modifications.

Sincerely,



Nicholas Damer  
President  
Granada Sanitary District

ND:msl

cc: Fred Mortensen  
Manager, S.A.M.

L. Paul Leger  
Chairman, S.A.M.

Viola Schuetrum  
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February 2, 1979

Fred Mortensen  
Manager, Sewer Agency Midcoastside  
c/o City Hall  
City of Half Moon Bay  
Half Moon Bay, CA 94019

Subject: Cost Sharing of SAM Project

Dear Fred:

I would like to put in some more presentable form my feelings as to how the costs on the upcoming SAM project should be shared among the various agencies--the City of Half Moon Bay, the Granada Sanitary District, and the Montara Sanitary District.

Basically, I agree with the concept that originally accompanied our financial planning when it was in its stage of infancy in 1976, and as was expressed recently by John Shaw of the Half Moon Bay City Council--namely, that the most rational approach, toward the cost sharing issue, would be to analyze the benefit gained by each agency in SAM, and assess that agency the cost associated with those respective benefits.

Applying this theory to the upcoming SAM project, regardless of the ultimate configuration, I have come up with the following.

As you know, in either Plan A or Plan F, the MSD-GSD inter-tieline--a force main--is identical. That pipeline should be paid for entirely by Montara Sanitary District, insofar as that District is the only District which will benefit from that aspect of the project.

When that line reaches the northernmost location in Granada at which it is joined to the Granada force main, the cost from that point on will be shared between Montara and Granada, in the event Plan A is chosen. In the event Plan F is chosen, and the pipeline is constructed as originally designed, so as to accomodate connections within

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the portions of the City of Half Moon Bay that also lie within the Granada Sanitary District, then Half Moon Bay should also share the cost of the line from the point where the line crosses the city limits of the city of Half Moon Bay (near Miramar). I would suggest that Granada and Montara would share the cost of the line from the northernmost junction of the Montara main and the Granada main, to the city limits, in proportion to the capacity of the line in question; and from the city limits on, the cost should be shared equally between Montara, Granada, and Half Moon Bay, except to the extent that the local share of that line is increased above E-Zero funding allowances. In such a case, each agency should bear the increased local share in direct proportion to the incremental cost incurred by virtue of any increase in the pipe size over and above E-Zero capacity allowances.

With respect to the new totally regional outfall, it would appear that a reasonable breakdown of the local share should follow the same ratio as will be discussed below in relation to the treatment plant (assuming a totally regionalized treatment facility located at the site of the present Half Moon Bay plant.)

As you know, according to the State Water Resources Board's calculations of E-Zero funding limits, Montara is entitled to 400,000 gallons per day, Granada is entitled to a like amount, and Half Moon Bay is entitled to 500,000 gallons per day. Amounts of capacity in excess of these figures must be paid for totally out of local funds--that is to say, the Federal and State governments will only fund 12 1/2% of E-Zero capacities, and pass on to the local entities the cost of the incremental expenses necessary to increase facilities beyond E-Zero limits.

Although we can agree that this system is somewhat inequitable, in light of the existing capacities that exist at Montara and Half Moon Bay, still, these are the rules of the game, and we must either abide by those rules, or not play the game at all! You know personally that I joined you and other SAM spokesmen in Sacramento to attempt to get full funding at existing capacity figures--however, as you also know, we were unsuccessful. Accordingly, the only way that the "rules of the game" could be "bent", at this time, for a net financial benefit to the SAM agencies, would be to increase either the E-Zero funding level figures, or to convince the State Water Resources Board to reverse their prior 1975 decision against the member agencies of SAM in this regard.



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In any event, in any regional treatment facility, it is clear that the 12 1/2% local share should be paid in proportion to each member agency's E-Zero funding ratio--namely, Half Moon Bay should pay 5--thirteenths of the twelve and one-half percent (12 1/2%) local share, and Montara and Granada should each pay 4--thirteenths of that 12 1/2% local share.

With respect to the excess capacity, however, clearly the ratio of cost sharing should be adjusted to reflect the respective member agency's net share of the capacity beyond E-Zero levels. For example, in the currently designed 2.0 MGD regional plant, there would be 700,000 gpd of excess capacity above the E-Zero limit of 1.3 MGD. Of this 700,000 gallons, Half Moon Bay intends to receive 500,000 gallons, or 5--sevenths thereof, and Montara and Granada would each receive 1--seventh thereof. Accordingly, whatever the increased local share would be occasioned by virtue of this excess capacity, that increased local expense, over and above the 12 1/2% E-Zero base local share, should be borne on a ratio of 5--sevenths to Half Moon Bay, one-seventh to Granada, and 1-seventh to Montara.

In the event that the development of the local coastal plans justifies an increase in capacity at Granada, the ratios could of course be significantly modified. For example, if it were demonstrated that Granada needed 900,000 gpd to service those lots approved for ultimate buildout in the local coastal plan, then a regional plant should be built at a 2.4 MGD size. (As you know, Montara's existing capacity of .5 MGD was wisely designed, in 1962, to accomodate all of Montara's then existing subdivided lots, and could still do so.) In the event a 2.4 MGD plant were built, there would be 1.1 MGD capacity above the E-Zero allowances. Of this 1.1 capacity, Half Moon Bay would receive 500,000 gallons, Granada would receive 500,000 gallons, and Montara would receive 100,000 gallons per day of capacity. The ratio of cost-sharing, of the increased local share, would thus be 5--elevenths for Half Moon Bay, 5--elevenths for Granada, and 1-eleventh for Montara.

As for the reclamation line, planned to service only the southern limits of the City of Half Moon Bay, I suggest that the City of Half Moon Bay fund the local share of that facility entirely, while allowing Granada and/or Montara the option to buy into that reclamation line, at an acceptable ratio, with a reimbursement to Half Moon Bay for any interest lost by virtue of Half Moon Bay's having "fronted" the necessary funds initially. (We must also remember that Granada and Montara paid 8/13ths of the local share of designing that line, and so forth--and should therefore receive some sort of credit for these expenditures if they ultimately benefit only Half Moon Bay.)



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With respect to the responsibilities of bearing the expenses of maintaining any of the above facilities, I suggest that the maintenance obligation be borne in accord with the same ratios mentioned above. An equally rational approach would be to allocate maintenance expenses on the basis of each agency's existing flows, which would of course be measured at the output point from each agency's input to the system.

Of course, if Plan F is selected, Half Moon Bay should be given credit for the current value of equipment and facilities that would be integrated into the new plant. The amount of that credit, toward the local share, would be the current value of those facilities, less depreciation--or the actual expense to Half Moon Bay for that equipment, plus interest--whichever is less. However, existing Half Moon Bay facilities should not be integrated into the regional facilities unless such an integration is ultimately most cost-effective both in terms of initial investment and long-term operation and maintenance.

In the event Plan A is chosen as the ultimate most cost-effective solution, then, of course, each agency would bear whatever expenses are appropriate to the upgrading and expansion of its individual treatment facilities; also, as indicated above, Half Moon Bay would have no responsibility whatsoever for any share of the intertie line.

Plan F → In my recent handwritten memo, presented at the SAM meeting of January 31, 1979, I offered some rough calculations on the results of applying the above concepts to the projected expenses of building certain facilities. (The essential conceptual difference between that initial, hastily drafted document, and the above calculations, is that the ratio of cost-sharing, for the additional local share occasioned by the 2.0 MGD plant, now would appear to be 5-sevenths, 1-seventh and 1-seventh, versus 2-thirds, 1-sixth, and 1-sixth, for Half Moon Bay, Granada and Montara, respectively.) As was indicated in my previous handwritten memo, Half Moon Bay's share of the treatment facilities would be \$747,563.00, according to the 2-thirds calculation. According to the 5-sevenths calculation, Half Moon Bay's share of the total local share would be \$790,658.00--and added on to this would be the \$153,000.00 figure indicated according to the "use--benefit" calculation found on page 2 of your January 24, 1979 memo to the SAM representatives. This would generate a total liability to Half Moon Bay of \$943,658.00--plus a share of the transport line that runs through the City of Half Moon Bay, under the Plan "F" concept, and which is so placed so as to accomodate future development within the City.



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As you can see, it would appear that Half Moon Bay's local share, of a 2.0 MGD Plan F project, could exceed \$1,000,000.00. If we take a very hard-nosed look at the true value of Half Moon Bay's existing facilities, with respect to their potential for integration into the ultimate regional plant, it is likely that Half Moon Bay would receive little, if any, credit for those facilities; furthermore, one of the facilities that was originally contemplated to be integrated into the Plan F project, the now defunct Half Moon Bay outfall, would generate no credit whatsoever toward Half Moon Bay's share of the regional project.

As you know, it has always been my position, as a representative of the interests of the constituents of the Granada Sanitary District, to minimize the expense to those constituents, while still being fair to the Montara Sanitary District and the City of Half Moon Bay. I feel that my duty to my constituents would require me to insist upon a cost-sharing approach as outlined above; accordingly, I will attempt to persuade my fellow Granada Sanitary District Directors to recognize the merits of the aforementioned approach. Assuming that my feelings are shared by the majority of the Board at Granada, then, in such an event, it is obvious that Half Moon Bay will have some rather serious decisions to make with respect to whether or not a Plan F approach is ultimately financially cost-effective or even possible for the City.

I hope that at the upcoming SAM meeting, in the evening of February 14, 1979, the City's representatives to SAM, as well as Montara's representatives to SAM, will be prepared to resolve the matters discussed above. Between now and then, the Granada Sanitary District will conduct a study session to discuss alternatives in this regard. If you wish, I will advise you of the time and place of that study session, so that you may present whatever justification that might exist for deviating from the above-suggested approach.

Sincerely,

Nicholas Damer

ND:msl

cc: L. Paul Leger

William Taylor, Financial Officer  
Granada Sanitary District